

- Mutual funds that have AAA rating.
- Commercial Paper.

A significant portion of the investments maintained by the State Treasurer consists of repurchase agreements. Collateral, must be at least 102% of the book value of repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

Investments are classified as to credit risk by the three categories described below.

Category 1 Insured or registered, with securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the State's name.

All of the State's investments held at year-end are subject to classification of credit risk except for those investments where the State owns units of a whole rather than specific securities and real estate, which by their nature are not subject to risk categorization. The State's pooled investments include the Deferred Compensation Plan, annuity and guaranteed investment contracts, mutual funds, short-term investments and mortgages.

A. Primary Government — Governmental Fund Types, Expendable Trust and Agency Funds:

The bank deposits of the governmental fund types, expendable trust and agency funds of the Primary Government as of June 30, 1996, were insured or collateralized by securities held by the State or its agent in the State's name.

As of June 30, 1996, cash in the amount of \$5,333,000 was maintained with fiscal agents and represents resources transmitted to bond paying agents for which coupons have not been presented. This cash was entirely insured or collateralized with securities held by the State or its agent in the State's name.

Reported as cash and cash equivalents are repurchase agreements aggregating \$937,127,000 (market value of collateral of \$955,447,000), FNMA Discount Notes totaling \$280,707,000 (market value of \$280,601,000), FHLMC Discount Notes totaling \$104,332,000 (market value of \$104,281,000). The collateral for the repurchase agreements is held by the State's agent in the State's name. Reported as cash and cash equivalents are money market accounts totaling \$100,000,000. The State also has \$56,526,000 invested in automated government money trusts.

All investments are stated at cost, adjusted for amortization of premiums and accretion of discounts except for investments of the Deferred Compensation Plan are stated at market value. The investments as of June 30, 1996, for the governmental fund types, expendable trust and agency funds of the Primary Government are categorized as follows (amounts expressed in thousands).

	Category			Carrying Value	Market Value
	1	2	3		
Repurchase agreements	\$120,000			\$ 120,000	\$ 120,084
U.S. Treasury and agency obligations	829,099			829,099	829,884
Bonds	2,809			2,809	2,971
Other.....	5,184			5,184	5,184
	<u>\$957,092</u>			<u>957,092</u>	<u>958,123</u>
Deferred compensation plan.....				719,285	719,285
Maryland local government investment fund.....				457,411	457,411
Total.....				<u>\$2,133,788</u>	<u>\$2,134,819</u>

B. Primary Government — Enterprise and Pension Trust Funds:

The bank deposits of the enterprise funds of the Primary Government as of June 30, 1996, were entirely insured or collateralized with securities held by the funds or their agents in the funds' names.

As of June 30, 1996, cash and cash equivalents of the Pension Trust Funds' totaled \$989,865,000, which represented \$44,911,000 in cash deposits and \$944,954,000 of cash equivalents. These cash equivalents, which are investments with original maturities of less than 90 days, consisted of \$308,996,000 of commercial paper, \$8,078,000 of repurchase agreements and \$627,880,000 in global pooled short-term funds, which are carried at market, which approximates cost. All of the cash equivalents are categorized as category 1 for investment purposes. Of the